

Tennessee Higher Education Commission

March 2000

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Deborah V. Loveless, CPA
Assistant Director

Dena W. Winningham
Audit Manager

Joseph Schussler, CPA
In-Charge Auditor

Robert B. Ratliff, CPA
Staff Auditor

Amy Brack
Editor



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

March 10, 2000

The Honorable John S. Wilder
Speaker of the Senate
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
The Honorable Kenneth N. (Pete) Springer, Chair
Senate Committee on Government Operations
The Honorable Mike Kernell, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Tennessee Higher Education Commission. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the commission should be continued, restructured, or terminated.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/dvl
99-040

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
Tennessee Higher Education Commission
March 2000

AUDIT OBJECTIVES

The objectives of the audit were to review the Tennessee Higher Education Commission's legislative mandate and the extent to which the commission has met its mandate efficiently and effectively, and to make recommendations that might result in more efficient and effective operation of the commission.

FINDINGS

Seventeen of the 22 Benchmarks of Challenge 2000 Will Not Be Met

The commission established the Tennessee Challenge 2000 goals and benchmarks in 1989. The goals, which have not been revised, may be unrealistic or poor performance indicators. In addition, there are no negative consequences for not reaching the benchmarks (page 8).

The Fellowship Program Is Not Significantly Increasing the Number of African-American Professionals

The Tennessee Pre-Law and Pre-Health Fellowship Program is a summer enrichment program for African-American residents of Tennessee who wish to pursue a career in law, dentistry, medicine, pharmacy, or veterinary medicine. There is a low completion rate of participants, and program graduates overall have not been successful in professional school (page 10).

The Commission Cannot Document Results of the Minority Teacher Education Program

Through the Minority Teacher Education Program, the commission awards grants to higher

education institutions to support pilot projects to increase the number of African-American teachers in Tennessee, particularly in grades K-12. The number of teachers recruited through the program is unknown except in two of the 22 cases reviewed because there was no documentation of program results (page 13).

Neither Commission Members nor Executive Staff Have Completed Conflict-of-Interest Disclosure Forms

Conflict-of-interest disclosure forms, required for both commission members and executive staff, have not been completed for at least fiscal years 1998 and 1999. Without adequate disclosure, the commission leaves itself open to questions concerning impartiality and independence of the commission's actions (page 15).

Two Sections of Statute May Be Obsolete

There are two areas of statutory responsibility (one relating to solid waste issues and one relating to agricultural and home economics programs) where the commission is not in compliance because the statutes may not be relevant (page 16).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues that may affect the operations of the Tennessee Higher Education Commission: the fee waiver and tuition discount programs and the statutory funding limits of certain grant programs (page 6).

ISSUES FOR LEGISLATIVE CONSIDERATION

The General Assembly may wish to consider (1) discontinuing the Tennessee Pre-Law and Pre-Health Science Fellowship program; (2) deleting Sections 49-7-202 and 49-7-702, *Tennessee Code Annotated*; and (3) removing statutory limits on certain grant programs.

“Audit Highlights” is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

**Performance Audit
Tennessee Higher Education Commission**

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Performance Audit Tennessee Higher Education Commission

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Tennessee Higher Education Commission was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-222, the commission is scheduled to terminate June 30, 2001. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the commission and to report to the Joint Government Operations Committee of the General Assembly. This performance audit is intended to aid the committee in determining whether the commission should be continued, restructured, or terminated.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to determine the authority and responsibility mandated to the commission by the General Assembly;
2. to determine the extent to which the commission has met its legislative mandate;
3. to evaluate the efficiency and effectiveness of the commission's activities and programs; and
4. to recommend possible alternatives for legislative or administrative action that may result in more efficient and effective operation of the commission.

SCOPE AND METHODOLOGY OF THE AUDIT

The commission's activities and procedures were reviewed for the period January through May 1999. The audit was conducted in accordance with generally accepted government auditing standards and included

1. review of applicable statutes, commission policies and procedures, and commission meeting minutes;
2. attendance at relevant legislative and commission meetings;

3. examination of the commission's records, files, reports, and information summaries;
4. review of audit reports from other states, and reports from other state and non-state agencies; and
5. interviews with commission staff, with staff of other state agencies, and with the president of the National Association of State Administrators and Supervisors of Private Schools.

The General Assembly has designated the Comptroller of the Treasury both to serve as a board member of the Tennessee Higher Education Commission (Section 49-7-204[a][1], *Tennessee Code Annotated*) and to audit the agency (Section 4-29-111, *Tennessee Code Annotated*).

ORGANIZATION AND STATUTORY DUTIES

The Tennessee Higher Education Commission was created in 1967 for the purpose of achieving coordination and unity in higher education. The commission is committed to the principles of equity, excellence, accessibility, and accountability and strives to coordinate higher education in Tennessee according to those principles. Statutory duties of THEC, as described in Section 49-7-202, *Tennessee Code Annotated*, include

- Develop a master plan for the future development of public higher education in Tennessee, and make recommendations regarding the implementation of the plan;
- Develop policies and formulae or guidelines for the fair and equitable distribution and use of public funds among the state's institutions of higher learning, including provisions for capital outlay and institutional operating expenditures;
- Study the need for particular programs of the various institutions and make recommendations for the purpose of reducing duplication and fostering cooperative programs among institutions;
- Review and approve or disapprove all proposals for new degree programs, departments, or divisions;
- Study and make determinations concerning the establishment of new institutions of higher learning; and
- Submit a biennial report to the Governor and the General Assembly commenting on major developments, trends, budgets, and financial considerations that would be useful to the Governor and the General Assembly in planning for the development of public higher education.

The commission coordinates, on Tennessee's behalf, its part in the Academic Common Market. This organization, administered by the Southern Regional Education Board, is a means of sharing academic programs among 14 of the 15 SREB states by allowing out-of-state students to pay in-state tuition if the program is not available in the student's home state. The commission

has an advisory role with respect to the Centers of Excellence Program (COE), first started in 1984 and designed to attract eminent professors to Tennessee's four-year universities. Under this concept, the 26 centers encourage institutions to attain national recognition and expand research activities. Centers of Emphasis are a companion program in two-year institutions, performing activities similar to the COEs. The commission also coordinates the annual report on the status of the stipulations of settlement from the *Geier* desegregation lawsuit.

The commission has ten voting members appointed by the Governor:

- one lay member from each of the nine congressional districts and
- two student members, one of whom is nonvoting during the first year of appointment but who rotates into the voting position for the second year of appointment. The voting student position rotates between a student of UT and a student of a TBR school.

In addition, the following are ex officio members of the commission:

- the Comptroller of the Treasury,
- the Secretary of State,
- the State Treasurer, and
- the Executive Director of the State Board of Education (nonvoting).

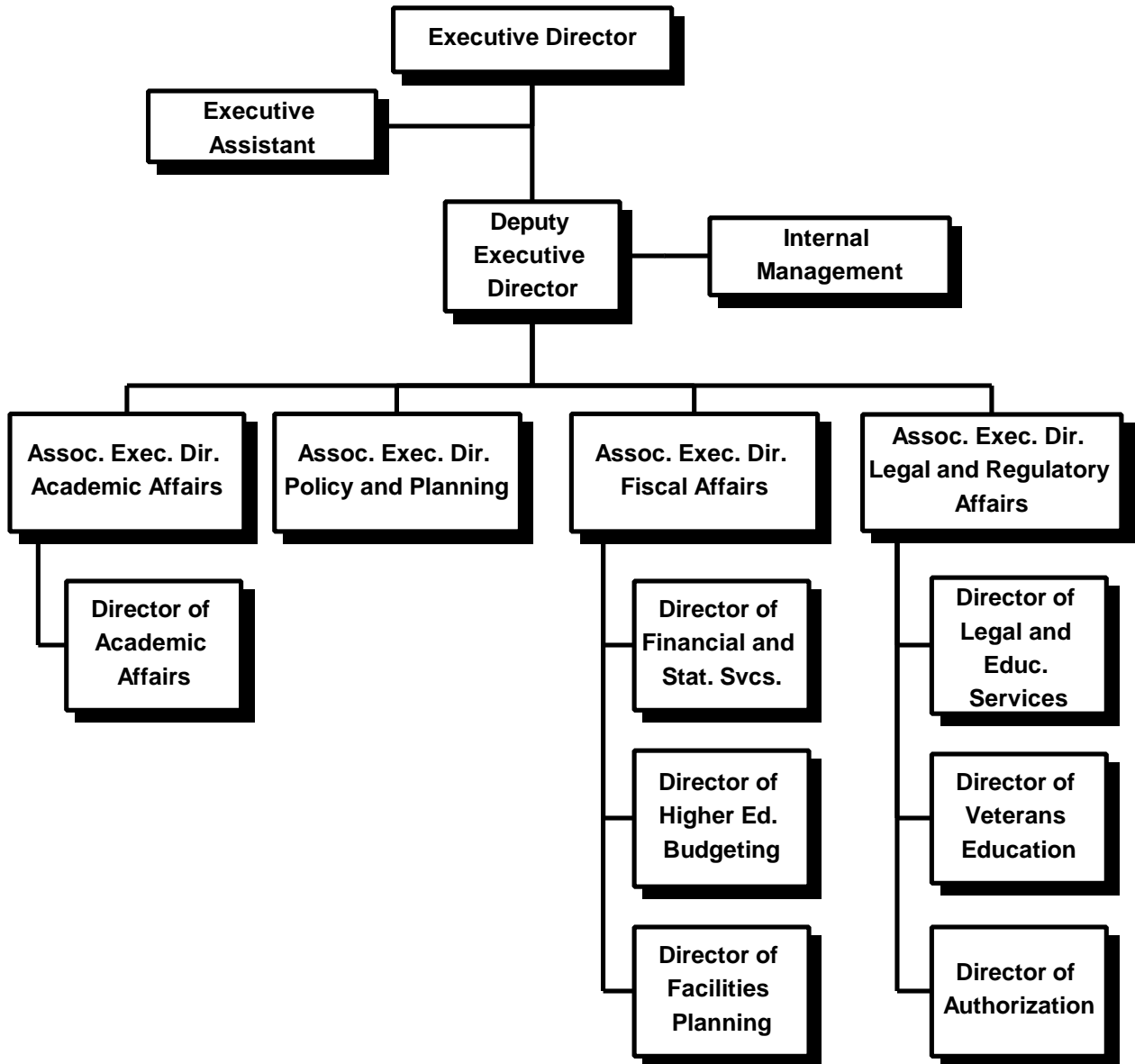
Section 49-7-205, *Tennessee Code Annotated*, authorizes the commission to hire an executive director and to employ staff as appropriate. As of May 1999, the commission had a staff of 27, including the executive director, a deputy director, and four associate executive directors. The deputy executive director supervises the Internal Management section, consisting of the fiscal officer and three staff. The four associate executive directors who report to the deputy are responsible for the following sections. The Academic Affairs section coordinates program approvals and changes in the academic programs of the schools. The Fiscal Affairs section processes data into the funding formula and provides related statistical and financial services. The Legal and Regulatory Affairs section includes Veterans Education, Post-Secondary Authorization, and Legal and Educational Services. The Policy and Planning section is responsible for long-range planning of the commission.

For fiscal year 1998, the commission had expenditures of \$2,145,785 and distributed an additional \$24,893,600 as pass-through funding to educational institutions.

CONTRACT EDUCATION

The contract education program allows THEC to contract with private institutions to address special education needs that may be met more economically through the contract program than by initiating, expanding, or extending comparable programs in public institutions. There are two categories of programs: those coordinated by the multistate Southern Regional Education Board (SREB) and those contracted directly with the institution. The SREB

Tennessee Higher Education Commission



coordinates a number of slots in preprofessional programs at Tennessee colleges and universities that are subsidized with state appropriations. For fiscal year 1999, at Meharry Medical College in Nashville, there were 29 slots in Medicine funded at \$18,950 per slot, and 10 slots in Dentistry funded at \$18,592 per slot. At the Southern College of Optometry in Memphis there were 60 slots, funded at \$7,800 per slot, for Tennessee residents. In addition, two students are selected each year for the Minority Doctoral Program. The selected student is paid a stipend of \$12,000 during each of three years of graduate school and can receive up to \$500 for textbooks. Preference is given to Tennessee residents but is not limited to such.

In addition to the SREB programs, the following grants are paid directly to the institution that maintains the program:

- 26 slots at Meharry Medical College in Nashville funded at \$10,000 each (conditional grant)
- 2 slots at Vanderbilt University Medical Center in Nashville funded at \$10,000 each (conditional grant)
- 20 slots in Mortuary Science at John Gupton College in Nashville funded at \$1,830 each
- 10 slots in Family Practice at Meharry Medical College funded at \$29,600 each
- 5 slots in Preventive Medicine at Meharry Medical College funded at \$29,600 each
- 2 slots in Nursing at Vanderbilt University funded at \$10,000 each
- 2 slots in Sign Language at Maryville College in Maryville funded at \$4,715 each

The conditional grant program recipients are required to practice medicine in Tennessee one year for each year that they receive the grant and are monitored by the school after graduation. Failure to comply requires repayment of the grant. Applicants for the programs at John Gupton College and Maryville College must be Tennessee residents. The other programs do not have the residency requirement.

Through the Minority Teacher Education Program (MTE) the commission awards grants to various organizations for pilot projects intended to increase the number of African-American teachers in Tennessee, particularly in grades K-12. For discussion of Minority Teacher Education, see finding 3, page 13.

The Tennessee Pre-Law and Pre-Health Science Fellowship Program (PFP) is a summer enrichment program for African-American residents of Tennessee who wish to pursue a career in law, dentistry, medicine, pharmacy, or veterinary medicine. The purpose of PFP is to increase the number of African-American students who enroll in and graduate from professional programs. For discussion of the Tennessee Pre-Law and Pre-Health Science Fellowship Program, see finding 2, page 10.

GOVERNOR'S COUNCIL ON EXCELLENCE IN HIGHER EDUCATION

In January 1997, the Governor formed a Council on Excellence in Higher Education with the mission "to provide Tennessee's Governor, the General Assembly, professional educators, and

general public with a practical road map by which the state's higher education system will achieve excellence, support economic development, and enhance the quality of life for Tennesseans in the 21st century." Vanderbilt University provided staff and coordinated the work of the consultants. The \$200,000 plus budget for the council's work was funded through THEC. Activities over the life of the council included subcommittee meetings, travel to assess higher education systems in other states, and the presentation of reports by consultants. The council's final meeting was held February 22, 1999, and the report was released June 22, 1999. The report recommends a modern, systemwide mission with related goals and performance targets, a realignment of programs and institutions, increased funding tied to performance goals, enhanced governing board authority, and a reorganized appointment process for governing board members.

OBSERVATIONS AND COMMENTS

The issues discussed below did not warrant findings but are included in this report because of their effect or potential effect on operations of higher education and on the citizens of Tennessee.

FEE WAIVER AND DISCOUNT PROGRAMS

A state statute authorizes fee waivers and tuition discounts to a number of citizen groups. The largest groups are teachers' children, state employees, and state employees' children. THEC is authorized to promulgate rules for the implementation of these programs, including rules for the allocation of program appropriations. For the last several years, the total appropriation has not covered the cost of the program. THEC allocates the appropriation among participating schools so that each receives about 62% of its respective program costs. For the summer 1997, fall 1997, and spring 1998 semesters, for the three major groups mentioned above, the number of FTE (full-time equivalent) participants was 16,904 and the total cost was \$4,353,439. With an appropriation of \$2,686,900, the total unfunded amount was \$1,666,539.

The largest group, in terms of participants and cost, is teachers' children with 12,135 FTES for the period reviewed and a cost of \$2,666,144. Within this program, the school with the greatest number of participants (2,607) and the greatest cost (\$683,068) was the University of Tennessee at Knoxville (UTK). There were 806 FTE state employees who used the fee waiver for the period examined at a cost of \$857,831. Within that program, the greatest number of students (119 FTES) attended Nashville State Technical Institute, where the program cost was \$85,584. The third major group for fee waivers is state employees' children. A total of 3,963 FTES used this program for the period examined at a cost of \$829,464. The largest number (596) and the greatest cost (\$156,100) were at UTK.

According to commission staff, institutions dislike the fee waiver program because fee-waivered students are not included in the numbers used to run the funding formula. As a result, the institutions must make up the unallocated amount of program cost from other program areas.

STATUTORY FUNDING LIMITS

According to state statute, maximum limits per participant are placed on certain grant programs. However, the actual amounts appropriated for fiscal years 1996 through 1999 were greater than those limits, as shown in the table below.

Statutory Grant Limits and Actual Amounts Awarded

Grant Program [TCA Section]	<u>Statutory Maximum</u>	<u>Grant Amounts per Appropriations Bill</u>			
		<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
Meharry Family Practice [49-7-401(b)(2)]	\$20,000	\$29,600	\$29,600	\$28,300	\$29,600
Meharry Preventive Medicine [49-7-402(b)(2)]	\$20,000	\$29,600	\$29,600	\$28,300	\$29,600
Meharry Dentistry [49-7-404(b)(2)]	\$15,000	\$17,792	\$18,092	\$18,342	\$18,592

It is confusing and inconsistent to specify a maximum amount in the authorizing statute, then appropriate an amount in excess of the limit in the appropriations bill. The General Assembly may wish to consider removing the limits in the authorizing statute.

FINDINGS AND RECOMMENDATIONS

1. Seventeen of the 22 benchmarks of Challenge 2000 will not be met

Finding

Responding to an act of the General Assembly in 1989, the Tennessee Higher Education Commission developed goals for public higher education in the state for the final decade of the twentieth century. These goals mirror goals established by the Southern Regional Education Board among its 15 member states. The commission produces an annual report, *Tennessee Challenge 2000*, for the General Assembly on progress toward these goals. In 1993, the General Assembly directed THEC to study Tennessee's independent, accredited, degree-granting colleges and universities to consider the contributions of these institutions in the commission's planning efforts. Commission staff include the independent colleges' information in the annual *Tennessee Challenge 2000* report.

The 1999 *Tennessee Challenge 2000* annual report is the ninth annual report on progress toward the goals of Tennessee Challenge 2000 and the sixth annual report on the contributions of independent colleges and universities in Tennessee. There are six broad goals, each of which has one or more related benchmarks. This finding summarizes progress toward attainment of those 22 benchmarks. (See the Appendix.) The report states that, of the 22 benchmarks, 14 have been attained or have had significant progress made in attainment, and eight have seen some improvements although continued progress is needed for attainment. However, our review found that most of the goals will not be met and several have actually achieved "negative progress." It should be noted, however, that factors beyond the commission's control, such as student motivation and amount of state appropriations, affect the attainment of these goals. Also, the goals were set 10 years in advance and may need to be reviewed and revised.

In summary, of the 22 benchmarks

- 3 benchmarks have been attained outright and
- 2 benchmarks have been "overall attained" (i.e., attained only when independent institutions are included in the calculation).

This is an achievement rate of 23% (5 of 22). However, there are no apparent negative consequences either to THEC, the higher education community, or the state as a whole for failing to reach these benchmarks. While many of the benchmarks of Tennessee Challenge 2000 will not be attained, THEC staff state that the benchmarks serve as a planning tool, a vehicle for collecting data and measuring progress, and a set of accountability and performance measures. Tennessee Challenge 2000 also provides a framework for THEC's Strategic Master Plan.

Specific reasons for not achieving the benchmarks are discussed in the appendix. In general, reasons cited by THEC include economic growth and employment trends (students go to

work when good paying jobs are available rather than attending school), difficulty in gathering complete data, and other factors, such as decreasing state appropriations, that may be beyond THEC's control. Additionally, according to commission staff, some of the goals may be unrealistic or may be poor indicators of progress in higher education. The next version of Challenge 2000 should be completed by July 2000, and THEC plans to make the goals challenging yet more realistic. The next set of benchmarks should be concise, specific, and quantifiable, and should contain clear criteria for successful attainment. They should also be flexible enough to allow the removal of obsolete benchmarks and the introduction of new ones where necessary. According to commission staff, most benchmarks will be written annually to ensure they are realistic and reflect the current environmental and financial conditions of the state.

Recommendation

The commission should work with the University of Tennessee Board of Trustees and with the Tennessee Board of Regents to devise ways to make the schools more accountable for attainment of the benchmarks. They may wish to consider a system of incentives and disincentives to accompany the benchmarking program, or they may wish to further integrate the Challenge program with performance funding.

Management's Comment

The Tennessee General Assembly directed the Higher Education Commission, in conjunction with the University of Tennessee and the Tennessee Board of Regents, to develop long-term quantifiable goals for Tennessee higher education. Such goals were to be developed with the Southern Regional Education Board's report, *Goals for Education: CHALLENGE 2000*, as a basis. These goals were developed, and progress toward attainment has been reported to the Select Joint Committee on Education Oversight on an annual basis as required by the statute. In light of the nature of the goals, the commission must respectfully not concur in this finding.

Specifically, the goals and benchmarks that make up Challenge 2000 were projections made in 1990 for the year 2000 based on estimates from the best data available at that time. In addition, the factors impacting the attainment of these goals are highly dependent on circumstances beyond the control of the commission or for that matter, the University of Tennessee or the Tennessee Board of Regents. These include state appropriations, the economy and motivation of Tennessee citizens. In fact, at best the commission can only help create an environment that is conducive to progress toward the goals.

An example of this is found in Goal A and the related benchmarks. This goal provides that, "By the year 2000, Tennessee will be among the leading Southern states in providing college education to its citizens." Under this goal are ten benchmarks related to increased enrollment at public postsecondary institutions including African-American and other racial minorities and persistence-to-graduation rates.

First, the commission consistently recommends full funding of the formula that is utilized to determine the minimum operating funds necessary to fund the needs of higher education. In addition, the commission works on a variety of issues to facilitate a more efficient and effective system of higher education. Our efforts in this area include addressing problems related to articulation of coursework from one institution to another, which could impact a person's persistence-to-graduation. Another example related to the benchmarks under Goal A is found in the commission's efforts to coordinate the state's desegregation efforts. These efforts have resulted in programs that aid in the recruitment of African-American students, assist them with persistence-to-graduation and identify interested students for opportunities for professional degrees and licensure. Unfortunately, even our best efforts in this area cannot ensure attainment of the lofty goals that were set.

The same is true for Goals B through F. Each of the benchmarks determined to have been unmet are either related to academic performance of students, over which the commission has no control (e.g., Goal B, Benchmarks 1 and 2) or are the result of inadequate funding (e.g. Goals E and F). In either case, each is beyond the scope of what the commission is able to attain under its current statutory authority.

The commission has been working on revised benchmarks for several months in light of the fact that at the beginning of this process we were approaching the year 2000. It is our intent to address one point in the audit finding by including UT and TBR in the development of goals and benchmarks that are challenging, yet realistic and occasionally revisit and revise them to reflect current environmental and financial conditions of the state. The commission will also, as recommended in the audit, further integrate the Challenge program with performance funding.

2. The Tennessee Pre-Law and Pre-Health Science Fellowship Program is not significantly increasing the number of African-American professionals

Finding

The Tennessee Pre-Law and Pre-Health Science Fellowship Program (PFP) is a summer enrichment program for African-American residents of Tennessee who wish to pursue a career in law, dentistry, medicine, pharmacy, or veterinary medicine. Unfortunately, there is a low completion rate of participants who enter the program, and program graduates overall have not been successful in professional school. The purpose of PFP, developed in response to the stipulation of settlement of *Geier vs. Sundquist, et al.*, a federal lawsuit, is to increase the number of African-American students who enroll in and graduate from professional programs. Participants in the Associates component may take up to eight credit hours of free college coursework during the summers following their freshman and sophomore years in college. Participants in the Scholars component take an eight-week academic review program after their junior year and a pre-matriculation study program after graduation. All programs are at no cost to the student. The University of Tennessee administers the Associates component, the University of Memphis administers the Pre-Law Scholars segment, and East Tennessee State University administers the Pre-Health Science segment. THEC, as coordinator of the desegregation monitoring committee, has ultimate responsibility for the program.

Enrollment in PFP for 1998 was 165. Also in 1998, 38 former PFP enrollees were in their freshman/first year of professional school and 7 graduated from professional school. Since 1987, PFP has served 1,363 participants. Over the same period, 299 participants went on to law or health professional school for an average transfer rate of 24% of the number who entered the program. Of the PFP students who entered professional school, 91 graduated, or 37% of those who entered professional school. The average graduation rate for the UT Memphis Health Sciences Center for 1985-1998 is 88%. At Memphis State University, the graduation rate for law students from 1987 to 1992 was 85%. PFP program officials attributed the poor program results to financial constraints or insufficient academic preparation, but admitted the program is not an absolute solution to poor college retention and graduation rates for African-Americans.

Twenty-three PFP students took the Kaplan Law School Admission Test twice in 1998, once before taking the PFP coursework and once after completion of the coursework. Of those 23 students, 15 (68%) had a drop in their scores following the PFP program. Mock Medical College Admission Tests were administered to each student interested in medicine, both pre- and post-PFP coursework. Although all but one student increased their scores, average grades for each section were at least 25% lower than the average of the 1998 entering class of East Tennessee State University Quillen College of Medicine.

A 1993 independent study of the PFP (referred to then as “TPP”) by an assistant professor of Capital University Law and Graduate Center in Columbus, Ohio, and by the Special Projects Education Coordinator for the Office of Admissions at Baylor College of Medicine in Houston disclosed serious deficiencies and also recommended improvements. The study concluded,

The overall impact of TPP has been poor to minimal with regard to enrollment in professional school. Although some schools have experienced increases, overall the program has not been successful. With regard to retention and graduation rates, 17 of the 375 total TPP participants have graduated from professional school for a graduation rate of 4.5% to date. Assuming that all of the 63 enrolled students graduate, the success rate of the 375 TPP participants would approximate 22%. Relative to the total number of TPP participants the retention rate (58%) and graduation rate (16%) have been unsuccessful.

The authors proposed four revisions: (1) change the name of the program, (2) separate the pre-health and pre-law components and develop three levels of each, (3) hold the first level of the pre-law portion on the campus of University of Tennessee, Knoxville, and the first level of the pre-health portion on the campus of ETSU, and (4) provide desegregation funding and appoint a coordinator on each campus. THEC implemented these recommendations and made the necessary program changes. The deans of the schools involved in the 1993 study suggested raising enrollment standards and expanding outreach efforts to younger, academically oriented minority students. One dean said,

In general, the academic performance of TPP students has been very poor. Figures show that TPP students are not as successful in

achieving graduation when compared to all students. In fact, TPP students have a dramatically reduced chance of graduating from law school when compared to all students and when compared to regularly admitted African-American students.

The annual budget of the program is about \$25,000 of state appropriations, but in fiscal year 1998 there was an allocation of \$75,000 plus \$44,500 in carryforward funds.

Recommendation

Under the leadership of THEC, all parties involved in this program should take the necessary steps to improve the program to meet the standards intended by its originators. Alternatively, the General Assembly may wish to consider discontinuing the Tennessee Pre-Law and Pre-Health Science Fellowship Program because of its failure to produce qualified professional school students and graduates.

Management's Comment

The commission concurs with this finding; however, it believes that recent developments and efforts now being taken to improve the effectiveness of the program provide indication that this trend is reversing.

As noted in the 1993 independent study of PFP, the program had problems that needed to be corrected. The commission staff has worked diligently to improve PFP by implementing three of the four recommendations and closely monitoring the administration of each PFP component. A plan is being developed to implement the fourth recommendation pertaining to holding the first level of the pre-law Scholars program on the campus of the University of Tennessee College of Law. Commission staff continues to work closely with University of Tennessee (UT) and Tennessee Board of Regents (TBR) administrators in order to assure that this program meets its objective of increasing the number of Tennessee African-American attorneys, physicians, pharmacists, dentists, and veterinarians.

As noted in the audit report, the administration of the Associates program was transferred to the Office of the Senior Vice President at the University of Tennessee as of July 1, 1997. One of the first initiatives undertaken by that office in conjunction with the commission was the development of a workshop for the PFP advisors from each institution. This provided a forum by which each fall PFP advisors meet to share recruiting strategies and PFP activities, acquaint new advisors with the application process and the advisor's role, and provide opportunities for interaction and feedback. This has resulted in an increased number of potentially qualified participants.

Another positive by-product of the advisors workshop is that the advisors now have a greater understanding of the need to work with potential participants early in the process. Therefore, in order to facilitate advisor/student interaction, potential Associates must meet with their PFP advisors not only to apply for the program, but also to receive vouchers for their

summer course fees. The PFP advisor is now the critical link in the process, which will help ensure successful academic planning for these African-American students. This concept is carried through to the Scholars program as well in that an Associate making application to the Scholars program must include a recommendation from his/her PFP advisor.

As a result of these efforts, there has been an increase in the number of highly qualified students wishing to participate in the program. By recruiting Associates and Scholars with strong academic records, PFP advisors and administrators predict continued improvement in the number of PFP participants who matriculate to Tennessee professional schools. There are already some initial indications of this. Specifically, the 171 Associates who have participated in the last two years took a total of 341 courses. A grade of B or better was awarded in over 80 percent of those courses, while a grade of D or F was awarded in less than 7 percent of those courses.

Another positive step has been taken to effectively assess the success of the program. Specifically, the University of Tennessee worked with all entities charged with administering a portion of the PFP program to create a database on student participation from 1989 to the present. This data reveals that ten PFP participants graduated from law school in 1998 and 1999 and that there are currently 35 former PFP participants presently attending law school. As for health science participants, the database shows that PFP participants continue to matriculate to and graduate from Tennessee professional schools. While 18 former PFP participants graduated between 1998 and 1999, 37 are currently enrolled in health science profession schools.

While there is still work to be done, recent events reflect progress toward attaining the full objectives of the program.

3. The commission cannot document results of the Minority Teacher Education Program

Finding

Through the Minority Teacher Education Program (MTE) the commission awards grants to higher education institutions to support pilot projects to increase the number of African-American teachers in Tennessee, particularly in grades K-12. It involves approximately \$250,000 per year in state appropriations, which must then be matched by institutional, private, or local funds and/or in-kind services. The number of teachers or potential teachers recruited through these programs is unknown except in two of the 22 cases reviewed because there was no documentation of program results.

The commission awarded nine MTE grants in 1997, seven in 1998, and six in 1999 in amounts ranging from \$15,000 to \$75,000. The number of teachers resulting from these awards is unknown except that one program (operated by Fisk University, Metro Public Schools, and TSU in Nashville) provided 17 teachers over two years; and another (Milligan College in Johnson City), four teachers in one year. THEC sends out requests for proposals (RFPs) to schools and other institutions to apply for the money. Qualified application proposals emphasize curriculum changes and retention strategies to enable students to progress through teacher education programs. Once the money is awarded, it is the institution's responsibility to find potential

teachers and to use the money to help teacher candidates pass the tests required for admission to the profession. THEC claims to hold the grant recipients accountable for the use of money and visits them each year to evaluate the programs. Funds are paid out as invoiced and unused money is returned to the state's general fund.

The grant application requires assessment of past performance (for continuing programs), benchmarks, and interim progress reports, and even includes a blank evaluation form. However, except in the two cases described earlier, no reports of past performance, assessments, or performance benchmarks were on file with the commission. The program may be successfully recruiting teachers, but without sufficient information, staff cannot know whether the program is accomplishing its intended purpose and may have difficulty justifying additional funding.

Recommendation

Commission staff should obtain required program reports from MTE recipients to determine program success. Staff may wish to develop benchmarks and take action against noncompliant or unsuccessful institutions.

Management's Comment

The commission concurs that appropriate measures have not been taken in the past to document the results of this program; however, steps have been taken to correct this deficiency. The responsibility for administration of this program has changed since the time the audit was being performed. The person now responsible for administration of this program has implemented several means that will enable the commission to document not only the program participants and their progress, but also the effectiveness of the program receiving funds. These steps were taken in consultation with the Division of Research and Education Accountability, who first brought this issue to our attention.

Because of these efforts, the commission is now able to provide documentation of program results for grant years FY 1991-92 through FY 1998-99, with the exception of three institutions from the FY 1996-97 funding year. The three institutions, Tennessee State University, East Tennessee State University, and University of Tennessee, Martin, have all been contacted and are searching records to provide this information.

Information that has been gathered from each institution includes the following for each grant year: amount awarded, number of participants the previous grant year, number of new participants, number of students that dropped out, number graduated, number of students at the end of the year, and number actually teaching. A form to provide this information is now included with the Request for Proposals and is a requirement of the grant application. Proposals without this information will be considered incomplete and, therefore, ineligible to receive an award.

During the current funding year, the commission will institute a performance indicator system to assess the performance of any institution receiving funds. The performance indicator system will consist of a mandatory site visit from the commission to collect data related to the five

objectives of the program. The performance indicator system will not only serve as a mechanism to monitor the progress of funded projects, but also provide information to be used in reviewing a proposal for continued funding for a project.

4. Neither commission members nor executive staff have completed conflict-of-interest disclosure forms

Finding

Conflict-of-interest disclosure forms, required for both commission members and executive staff to the commission, have not been completed for at least fiscal years 1998 and 1999, and none are on file in the THEC office. Policy number 05.0, Ethics Policy for Commission Members, in Section 5.0.10(4) of the *Tennessee Higher Education Commission Policy Manual* states, “Commission members should disclose any activity, investment, or interest that might reflect unfavorably upon the Commission, using the disclosure form. This form must be filed and/or reviewed no later than July 1, with interests arising during the year disclosed immediately.” Policy number 05.1, Executive Staff Ethics Policy, is the same policy but for “executive staff” rather than commission members. Executive staff includes the deputy executive director and four associate executive directors. Without adequate disclosure, the commission leaves itself open to questions concerning the impartiality and independence of the commission’s actions. The appearance of conflicts of interest or charges of this nature has the potential to harm the commission’s reputation, thereby reducing the public’s faith in it and its programs.

Recommendation

The commission should obtain completed disclosure forms at the beginning of each commission member’s term. These forms, in addition to forms completed by executive staff, should be updated regularly and be included as part of the commission’s public record.

Management’s Comment

The commission would concur in this finding. A procedure has been put in place to ensure that the conflict-of-interest form required by the commission’s policy is completed in a timely fashion.

5. Two sections of a state statute may be obsolete

Finding

There are two areas of statutory responsibility where the commission is not in compliance because the statutes may no longer be relevant. One is Section 49-7-202(c)(8), *Tennessee Code Annotated*, which requires that the commission review curriculum sequences in selected undergraduate programs to ensure adequate treatment of issues relating to waste management, reduction of sources of waste, and recycling. This statute was part of the Solid Waste Management Act passed in 1991. The commission is not performing this activity and lately has recommended that it be dropped from the statute. According to a 1996 report from the Comptroller of the Treasury Office of Research and Education Accountability, “staff is not aware of any action taken to enforce this statute.”

The other area of responsibility, Section 49-7-702, *Tennessee Code Annotated*, requires the commission to establish guidelines and develop a mechanism for approving the manner in which funds shall be apportioned to institutes of higher education to promote leadership in agricultural and home economics programs. According to the 1996 report quoted above, “this is an old statute that is no longer used and should be removed from the code.” That report recommended that the General Assembly consider whether or not the duties delineated in these statutes are still the will of the legislature. In 1997, commission staff recommended to the House Education Committee that both statutes be deleted because they are no longer applicable. This recommendation was apparently not implemented.

Recommendation

The General Assembly may wish to consider whether they should delete Sections 49-7-202 and 49-7-702, *Tennessee Code Annotated*, as they are apparently no longer relevant to the operations of THEC.

Management’s Comment

The commission would concur in this finding. Section 49-7-202(c)(8), *Tennessee Code Annotated*, requires the commission to review curriculum sequences in selected undergraduate programs to ensure adequate treatment of issues related to waste management, reduction of sources of waste, and recycling. As pointed out in the audit, this was one section from a comprehensive act on waste management enacted in 1991. The commission will acknowledge that it has not consciously complied with the act. While there have likely been few, if any, programs that could potentially include this type of curriculum, the commission will make the required review as long as the General Assembly determines it is valid public policy to have this provision in the law.

The other statute referenced in the audit is Section 49-7-702, *Tennessee Code Annotated*, which requires the commission to promulgate rules by which the income generated from investment of funds invested in a special endowment trust fund for the promotion of leadership in

agricultural and home economics programs will be apportioned. These rules have not been promulgated, as it is our understanding that no funds have been deposited into the special endowment trust fund.

RECOMMENDATIONS

LEGISLATIVE

This performance audit identified the following areas in which the General Assembly may wish to consider statutory changes to improve the efficiency and effectiveness of the Tennessee Higher Education Commission's operations.

1. If the commission does not take steps to improve the Tennessee Pre-Law and Pre-Health Science Fellowship Program, the General Assembly may wish to consider discontinuing it because of its failure to produce qualified professional school students and graduates.
2. The General Assembly may wish to consider whether they should delete Sections 49-7-202 and 49-7-702, *Tennessee Code Annotated*, as they are apparently no longer relevant to the operations of the commission.
3. The General Assembly may wish to consider removing the limits in the authorizing statute for the Meharry Medical College medical and dentistry training program grants.

ADMINISTRATIVE

The following areas should be addressed to improve the efficiency and effectiveness of the Tennessee Higher Education Commission's operations.

1. The commission should work with the University of Tennessee Board of Trustees and with the Tennessee Board of Regents to devise ways to make the schools more accountable for attainment of the benchmarks. They may wish to consider a system of incentives and disincentives to accompany the benchmarking program, or they may wish to further integrate the Challenge program with performance funding.
2. Under the leadership of the commission, all parties involved in Tennessee Pre-Law and Pre-Health Science Fellowship Program should take the necessary steps to improve the program to meet the standards intended by its originators.
3. Commission staff should obtain required program reports from Minority Teacher Education recipients to determine program success. Staff may wish to develop benchmarks and take action against noncompliant or unsuccessful institutions.
4. The commission should obtain completed conflict-of-interest disclosure forms at the beginning of each commission member's term. These forms, in addition to forms

completed by executive staff, should be updated regularly and be included as part of the commission's public record.

APPENDIX

Status of Tennessee Challenge 2000 Goals

The status of the Tennessee Challenge 2000 Goals is reported annually to the General Assembly in a separate report. This appendix contains a listing of each goal and its related benchmarks, followed by its status (in parentheses) as reported by the commission in the *1999 Annual Report on the Goals of Tennessee Challenge 2000* (the report). After the reported status of each goal is a paragraph of auditor analysis.

Goal A: By the year 2000, Tennessee will be among the leading Southern states in providing college education to its citizens.

Benchmarks:

1. *By the year 2000, the combined headcount undergraduate enrollment of public higher education institutions in Tennessee will be over 206,000 students. (Overall Attained)*

Auditor Comment. This benchmark will not be attained. As of fall 1998, the enrollment in public institutions was 170,872 or 82% of the benchmark. If non-public institution enrollments (originally not included in measurement figures) were included in total enrollment, the benchmark would be met.

2. *By the year 2000, 50% of recent high school graduates will enroll in public higher education institutions in Tennessee. (Overall Attained)*

Auditor Comment. This benchmark will not be attained. The rate has risen steadily from 41.0% in 1990 to 44.4% in 1998; however, the progress does not appear sufficient to reach the 50% benchmark within the next 2 years. As in Benchmark 1 above, if non-public institution enrollments were included, the benchmark would be met.

3. *By the year 2000, graduate and professional enrollment in public universities will be adequate to meet the human resource needs of business, industry, government, education, and research in Tennessee. (Significant Progress Made)*

Auditor Comment. Actually, progress towards attainment of this goal is inconclusive because there is no measurement criteria. The report notes that graduate and professional school enrollment in Tennessee's public institutions has increased by 15.8% since 1990.

4. *By the year 2000, headcount enrollment in the technology centers will reach 35,000 students per year. (83% Attained)*

Auditor Comment. This benchmark will not be attained. Enrollment in the technology centers decreased between 1992-93 and 1995-96. Since then it has rebounded slightly but still remains below the 1991-92 level. The report states that the benchmark is "83% attained" because the

1997-98 enrollment figure is 83% of the target number of 35,000. However, the 1991-92 figure is 88% of the target number, and the “attainment level” has fallen from 88% to 83%.

5. By the year 2000, enrollment of students over the age of 25 in public universities and colleges in Tennessee will increase to 50%. (Significant Progress Made)

Auditor Comment. Actually, this benchmark will not be attained. In 1990 about 36.5% of undergraduates enrolled in public institutions were 25 years old or older. In 1998 the figure was 35.5%, the lowest since 1990. The report asserts that economic growth leads to lower enrollments of 20- to 30-year-olds. When the economy is strong and jobs are plentiful, people in this age group are more likely to leave or stay out of school in order to work.

6. By the year 2000, public universities in Tennessee will graduate at least 51% of students within six years of enrollment. (88% Attained)

7. By the year 2000, two-year institutions in Tennessee will graduate at least 35% of students within six years of enrollment. (62% Attained)

Auditor Comment. Neither of these benchmarks will be attained. As with Benchmark 4 above, the report may be misleading in stating that Benchmark 6 is “88% attained” and Benchmark 7 is “62% attained.” This statement obscures the lack of significant progress on Benchmark 6 and the “negative progress” on Benchmark 7. The four-year institution persistence-to-graduation rate for the 1992-98 cohort (full-time freshmen entering a higher education institution in 1992 and graduating by 1998) stands at 44.85%. The two-year institution persistence-to-graduation rate for the 1992-98 cohort stands at 22.17%. While these benchmarks will not be met, according to the report, “completion statistics are, at best, estimates of the actual rates. Large numbers of students not in the cohort include any student who first enrolls as a part-time student or any student who begins at an independent or out-of-state institution and later transfers to a Tennessee public institution.”

8. By the year 2000, 75% of students completing university parallel degree programs at public community colleges will enroll in baccalaureate degree programs at state universities. (Continued Progress Needed)

Auditor Comment. This benchmark will not be attained. The transfer rate for 1997-98 stands at 46.8%, well short of the 75% benchmark. This rate is consistent with past transfer rates, which hovered between 46.6% and 50.5% during the 1990-98 period. The report offers several explanations for the shortfall in the transfer rate. First, economic growth and job availability may discourage some students from continuing their education past the two-year degree. Also, many students do not transfer straight from a two-year school to a four-year school, but may transfer between two-year schools or even from a four-year back to a two-year. Finally, an increasing number of students are transferring from two-year schools to independent four-year institutions instead of public universities.

9. By the year 2000, the racial composition of enrollments in public higher education institutions will be sufficient to ensure that all Tennesseans, regardless of race, will have access to higher education. (Significant Progress Made)

Auditor Comment. Actually, progress towards attainment of this goal is inconclusive because no criteria are given. However, the report does note that enrollment of African-Americans at the undergraduate level increased 33.5% at Tennessee public institutions between 1990 and 1998 (compared to a 4.3% increase in White enrollments). During that same period, graduate and professional enrollment of African-Americans at public institutions increased 67.8% (compared to a 7.9% increase in White enrollments). In contrast, the report notes that total enrollment of African-Americans at independent institutions actually decreased by 11.5% during the 1990-98 period. (unaudited figures)

10. By the year 2000, rates of persistence-to-graduation will be the same for Blacks as for other racial groups. (Significant Progress Made)

Auditor Comment. This benchmark will not be attained by the year 2000. The persistence-to-graduation rate for African-Americans enrolled at public universities has risen to 35.5% for the 1992-98 cohort, as compared to nearly 47% for Whites. Persistence-to-graduation for African-Americans enrolled at public two-year schools has risen to 12.58% for the 1992-98 cohort, as compared to 24% for Whites. The gap has been closed somewhat, but persistence rates remain significantly lower for African-Americans than for Whites in both types of institutions.

Goal B: By the year 2000, Tennessee will be a national leader in improving the quality of instructional programs and demonstrating this improvement through statewide and institutional assessment.

Benchmarks:

1. By the year 2000, the average ACT COMP scores of graduates of Tennessee's public universities will average 188.5. (Continued Progress Needed)

Auditor Comment. This benchmark will not be attained. The report does not mention the "negative progress" as ACT COMP scores have fallen from 182.2 in 1990-92 to 180.6 in 1998.

2. By the year 2000, passing rates on professional licensure examinations of graduates of Tennessee's public higher education professional schools will remain above national levels. (Overall Attained)

Auditor Comment. This benchmark is no longer measurable because national norms for many professional licensure tests are no longer available. However, pass rates in Tennessee range from 75% in Engineering to 100% in dentistry and pharmacy.

3. By the year 2000, 75% of students completing university parallel degree programs at public community colleges in Tennessee will enroll in baccalaureate degree programs at state universities.

Auditor Comment. This is identical to Benchmark 8 under Goal A above.

4. *By the year 2000, rates of transfer from public community colleges to state universities in Tennessee will be the same for Blacks as for other racial groups. (Overall Attained)*

Auditor Comment. This benchmark was attained in 1998, but it fluctuates widely each year because of the small numbers involved. Status for 2000 is uncertain.

5. *By the year 2000, a Superior Teaching Program will be fully funded and implemented across the state.*

Auditor Comment. This benchmark will not be attained.

6. *By the year 2000, cumulative collections of materials in libraries at Tennessee public institutions will be current and these libraries will be able to provide ready access to materials necessary to support their instructional and research needs. (Continuing Progress)*

Auditor Comment. This benchmark contains no criteria by which to measure attainment. In a related note, there has not been a significant increase in either the number of volumes added per year or the dollar amount of expenditures on books for the period 1992-98.

Goal C: By the year 2000, Tennessee's colleges and universities will be among the nation's leading institutions in preparing graduates with the knowledge and skills essential for effective teaching.

Benchmarks:

1. *By the year 2000, 1,800 individuals will complete teacher education programs in Tennessee public universities each year. Of that number, 396 (22%) will be Black. (Overall Attained; Significant Minority Progress Made)*

Auditor Comment. This benchmark has not yet been attained, but it may be partially met. The total number of persons who complete a teacher education program is small and varies from year to year. It is possible that the total number will exceed 1,800 by 1999-2000. However, it is not likely that 396 of those individuals will be African-American, despite steady growth since 1990-91. For 1998, there were 141 African-Americans (8%) of the 1,731 total individuals who completed teacher education in public universities. The ratio was also 8% for the two prior years. This is up from the 3-5% range for the years prior to 1994-95, but it is still far from the 22% specified in the benchmark.

2. *By the year 2000, 95% of teacher education graduates in Tennessee's public universities will pass the NTE or an equivalent examination. (Overall Attained)*

Auditor Comment. This goal has been attained. This measure has fluctuated but has remained above the benchmark of 95% since 1994-95.

Goal D: By the year 2000, Tennessee will have improved both the quality and quantity of research and public service so that the state is recognized for its superior research and service activities.

Benchmarks:

1. Expenditures on research at universities from restricted accounts will reach \$230,000,000 by the year 2000. (Continued Progress Needed)

Auditor Comment. This benchmark will not be attained. While there has been some fluctuation in the level of research expenditures, it has tended to rise over the 1992-98 period. Overall, there has been a 17.7% increase for the period in actual dollars spent on research. It does not appear feasible, though, to project that expenditures will rise to the \$230 million benchmark.

2. Expenditures on public service at universities from restricted accounts will reach \$43,000,000 by the year 2000. (Overall Attained)

Auditor Comment. This benchmark has been attained. Public service expenditures increased between 1991-92 and 1995-96, exceeding the benchmark of \$43 million. However, in subsequent years they have fallen. If they continue to fall, the level of expenditures will be below the benchmark by the year 2000. On the other hand, independent schools are experiencing a growth in research and public service expenditures, exceeding the growth rate in the public schools. The bulk of these expenditures occur at Vanderbilt and Meharry in Nashville and the Southern College of Optometry in Memphis. While the independents have lagged behind the public schools in total research expenditures until recently, the independent schools have approximately doubled the amount of public service expenditures of the public institutions.

Goal E: By the year 2000, Tennessee's higher education institutions will be able to compete for the very best faculty and staff.

Benchmark:

1. By the year 2000, faculty salaries at Tennessee public institutions will be above those of their peers in the other states. (Continued Progress Needed)

Auditor Comment. This benchmark will not be attained. Of the four types of institutions, Tennessee's two-year institutions and "other" universities (besides UTK and Memphis) are faring best when compared to their peer institutions. Since 1994-95, salary percentages have generally declined downward, with 1997-98 presenting some of the lowest percentages since the inception of Tennessee Challenge 2000. Tennessee is making little progress toward offering faculty salaries that are competitive with other schools in their peer group.

Goal F: By the year 2000, Tennessee's higher education institutions will have garnered sufficient resources to achieve the high quality and access envisioned in the goals of Tennessee Challenge 2000.

Benchmark:

1. By the year 2000, Tennessee's public higher education institutions will merit a proportion of state dollars above that currently received. (Continued Progress Needed)

Auditor Comment. While this benchmark is quantifiable, the data does not indicate progress. While state appropriations have experienced healthy increases in terms of actual dollars, in terms of real dollars, appropriations grew from 1991-92 to 1994-95 but have since declined. In recent years the percentage of state appropriations for higher education has declined from 19.7% to 15.1% of total appropriations.

Auditor's Final Summary

The report states that, of the 22 benchmarks, 14 have been attained or have had significant progress made in attainment, and eight have seen some improvements although continued progress is needed for attainment. In contrast, the following table summarizes the audit analysis:

Goal	Benchmark	Current Status	Projection
A	1	Unattained	Will not be attained
	2	Unattained	Will not be attained
	3	Unquantified; no criteria	Unquantified; no criteria
	4	Negative progress	Will not be attained
	5	Unattained	Will not be attained
	6	Unattained	Will not be attained
	7	Unattained	Will not be attained
	8	Unattained	Will not be attained
	9	Unquantified; no criteria	Unquantified; no criteria
	10	Unattained	Will not be attained
B	1	Negative progress	Will not be attained
	2	Uncomparable	Uncomparable
	3	Unattained	Will not be attained
	4	Attained	Attainable
	5	Unattained	Will not be attained
	6	Unquantifiable	Unquantifiable
C	1	Unattained	Partially attainable
	2	Attained	Attainable
D	1	Unattained	Will not be attained
	2	Attained	Attainable
E	1	Unattained	Will not be attained
F	1	Negative progress	May be attainable

Of the 22 benchmarks, only three benchmarks have been attained outright and two benchmarks have been "overall attained" (i.e., attained only when non-public institutions are included in the calculation).